

**Arkansas Statewide
MEDICARE / MEDICAID
Locality Evaluation Study**

Volume II

**Analysis of Year Two Data
1979 - 1980**

1982

**DIVISION OF OPERATIONS
OFFICE OF PROGRAM ADMINISTRATION
BUREAU OF PROGRAM OPERATIONS
HEALTH CARE FINANCING ADMINISTRATION**

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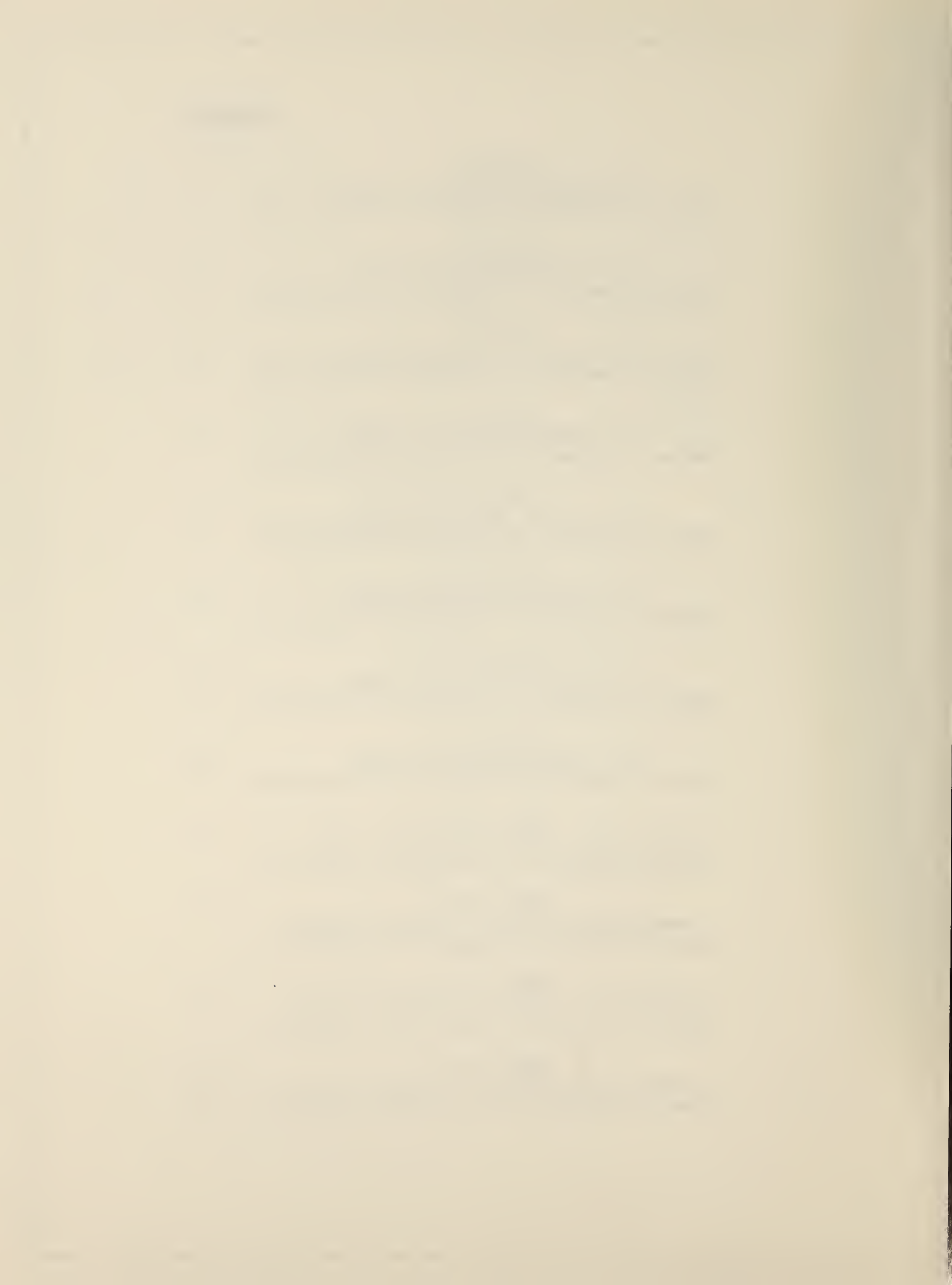


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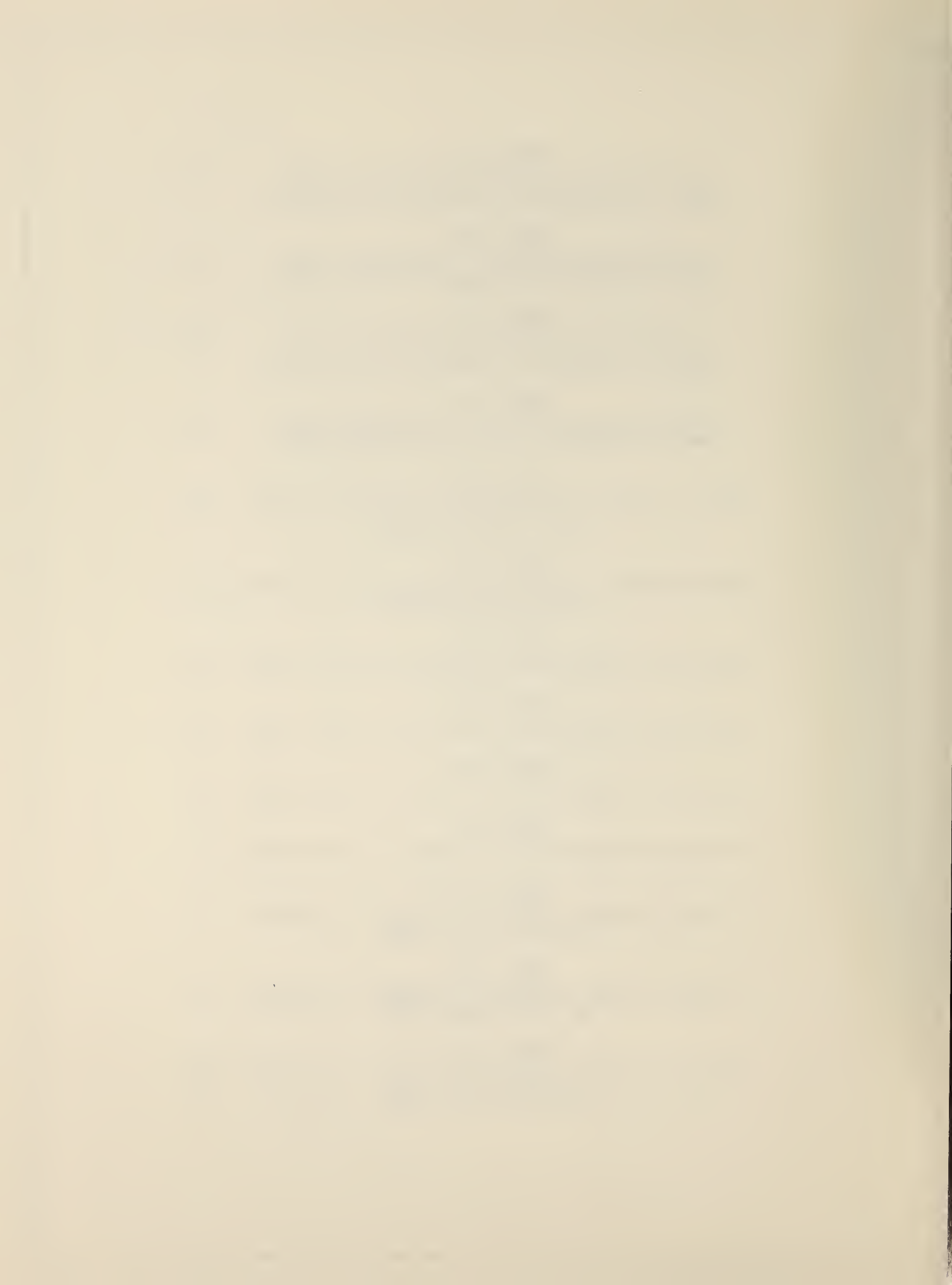


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INTRODUCTION

The following report is Part II of a three-phase study. The study addresses the impact of a change in the method for determining "prevailing" charges on Medicare and Medicaid program payouts, beneficiary liabilities for assigned and unassigned cases, assignment rates, and availability of services in the State of Arkansas (HCFA Contract No. 500-79-0036). A general methodology for measuring potential impacts was devised and is discussed in Part I, along with an analysis of the first year of physician claims data, i.e., Fee Screen Year 1979 (FSY 1979). Data for Year 1 include selected physicians' claims submitted during the period July 1, 1978 through June 30, 1979 for the Medicare and Medicaid programs in Arkansas. Part II, which follows, will particularly emphasize observed differences and trends in comparing data from the first and second years of the study. Data included in this analysis cover Fee Screen Year 1980 (FSY 1980) including selected physicians' claims for July 1, 1979 through June 30, 1980. Part III will include a synopsis of the first two reports and a thorough methodology and system description. Before launching into the second year analysis, a brief summary of the First Year Study is in order.



SUMMARY OF FIRST YEAR FINDINGS

The purpose of the study as a whole is the evaluation of impact(s) of a change in the procedure for determining "reasonable charge" for physicians' services for the Arkansas Medicare and Medicaid programs. As a by-product of the analysis, a methodology was developed which could be applied to other areas contemplating or implementing a similar change. The change in question is modification of the "locality" system, part of the basis for determining prevailing charges for physicians' services. The change in Arkansas was from a five-locality to a statewide system, i.e., prevailing charges are no longer calculated on the basis of different geographically-defined areas within the State, which were originally delineated on the basis of actual differences in charging patterns.

Reasonable charge is determined, for all procedure codes included in this study, on the basis of a comparison among the "submitted" charge (i.e., the amount billed by the physician), the "customary" charge (the normal and customary charge for a particular physician for a particular service), and the prevailing charge (a value calculated on the basis of charges submitted by a group of physicians for a particular service within a particular locality).

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The methodology developed for this study provided for a simulation of payouts and beneficiary liabilities under two conditions: prevailing charges calculated on the five-locality basis and prevailing charges calculated on a statewide basis. Also examined were actual payouts for each specialty group category; actual assignment rates by locality and specialty group; and proportional selection of the submitted, prevailing, and customary charges as the reasonable charge under each type of simulation.

Finally, available data on health manpower for the State of Arkansas were examined to determine whether the change in calculating reasonable charges influenced the availability of medical services. One argument for the change in procedure had been that it would encourage physicians to locate in rural areas of the State. The data examined in the first year report indicated no observable change in propensity of physicians taking part in the Medicare program to locate in rural areas, and showed very little movement by physicians at all.

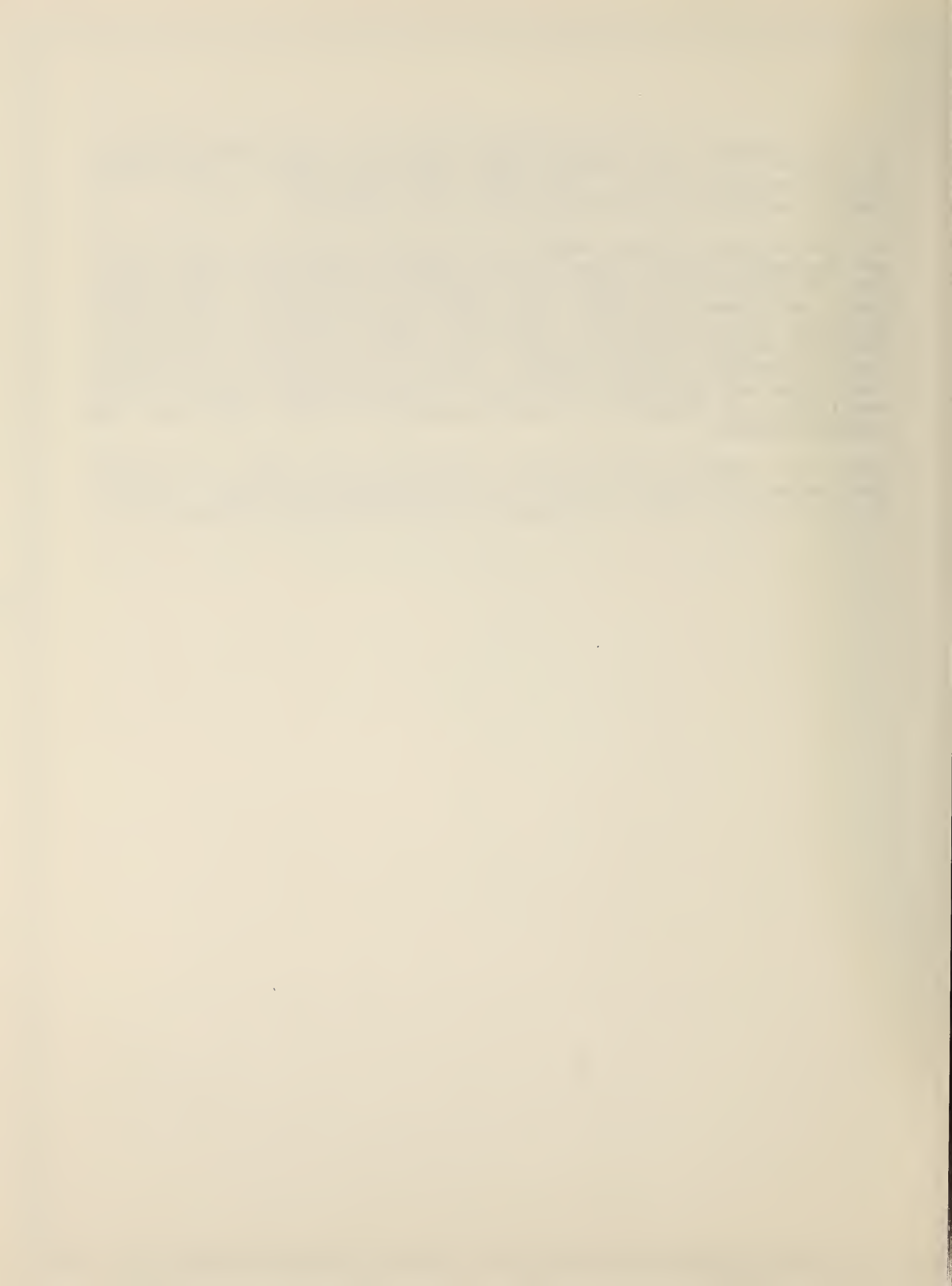
In the area of payouts, the impact of the change for both Medicare and Medicaid programs appears to be a reduction in overall payouts for the first year. In the case of Medicare, the reduction is very slight, less than 1 percent, while for Medicaid it is larger and significant, about 3 percent. Insofar as beneficiary liabilities under the Medicare program are concerned, a slight reduction in "assigned" beneficiary liability was observed, mirroring the overall reduction in payouts; and as might be expected, an increase in overall beneficiary liability was observed for the "unassigned" claims under the program--about 2.3 percent. Total beneficiary liability was increased by about 1 percent.



As far as assignment rates are concerned, the overall rate is about 50 percent in the first year, with a somewhat higher proportion assigned in the "General Practice" physician group, and somewhat lower proportions assigned in the "Medical Specialties" and "Surgical Specialties" categories.

In terms of type of charge selected as reasonable charge, for Medicare the most frequently selected charge was the submitted charge, with about 45 percent of selections; the second most frequently selected was the customary charge, with about 41 percent of selections; and the lowest proportion of selections was the prevailing charge, with about 15 percent of selections. Under both programs a large difference, i.e., about 10 percent in the proportion of prevailing charges selected under the multilocality and statewide simulations, was observed in Locality 1, the most urban locality. This results from the reduction in prevailing charges in urban areas under the statewide system.

Below is an analysis of data from the second year of the study. The reader should refer to the first year report for the methodology utilized for deriving the figures presented. A Glossary of terms is presented in Appendix I.



SUMMARY OF SECOND YEAR FINDINGS

A. Medicare

Medicare findings for the second year (FSY 1980) are, in general, the same as for FSY 1979. Payouts for the statewide simulation are lower overall than for the multilocality simulation. Beneficiary liabilities for the assigned claims likewise are lower for the statewide simulation; and for unassigned claims, beneficiary liabilities are higher under the statewide simulation, just as they were in FSY 1979.

B. Medicaid

Medicaid payouts, however, are higher overall under the statewide simulation than under the multilocality simulation, the reverse of the pattern for overall payouts in FSY 1979. However, the first quarter of FSY 1980 shows the payout under the statewide simulation to be lower than under the multilocality simulation. This indicates one of two possibilities:

1. The impact from the change in the procedure coding system for Medicaid from CPT-3 to CPT-4, implemented in July 1979 (the beginning of FSY 1980) is evidenced in the second quarter of FSY 1980 when Medicaid vendors had had time to learn to utilize the new system.
2. The reversal of the pattern exhibited in FSY 1979 represents a trend toward higher payouts, resulting from the change to a statewide system, and is independent of the change to the CPT coding system.

C. Special Procedure Codes

For the special procedure categories, Office Follow-up Visit and Hospital Follow-up Visit, the findings in terms of total payouts and beneficiary liabilities are similar to those for Medicare and Medicaid findings as a whole. Three increases were observed in the prevailing charges for each of the two procedure categories and for each of the two programs between Fee Screen Years 1979 and 1980. These were for the two most urban localities, Locality 1 and Locality 2 (ignoring Specialty category) and for the statewide prevailing charge (ignoring Specialty category). The rate of increase for each case was above the 7.5 percent inflation rate, perhaps reflecting the higher inflation in charges for medical services in the urban areas.

Medicaid payouts for the Office Follow-up Visit were higher under the multilocality simulation, while they were lower under this simulation for the Hospital Follow-up Visit procedure category. This undoubtedly reflects the same factors which are evidenced in the total Medicaid payouts for the three specialty groups. For the General Practice category, payouts are higher under the multilocality simulation; while for the other two specialty categories payouts are lower. Since the General Practice category should absorb the preponderance of claims from the Office Follow-up Visit procedure code category, while the specialties such as Surgical Specialties and Medical Specialties should absorb the preponderance of claims in the Hospital Follow-up Visit category, it can be expected that the change in calculating reasonable charge should impact the two procedure categories in different ways, reflecting the difference in the type of physicians submitting claims.

D. Assignment Rate

Assignment rates show no significant difference from Year One to Year Two, with only a slight decrease--about 1.3 percent--in proportion assigned from FSY 1979 to FSY 1980. No trend can be inferred from this.

E. Type of Charge Selected as Reasonable Charge

Insofar as selections of submitted, customary, and prevailing charges are concerned, a higher proportion of prevailing charges was selected for the Medicare program in FSY 1980, and lower proportions of customary charges and submitted charges were selected. Differences between the two simulations were negligible in terms of total selections. The greatest difference in the two simulations was, as in the first year, in Locality 1.

For Medicaid, overall selections of prevailing charges were increased only slightly from FSY 1979 to FSY 1980 but more under the multilocality than statewide methodology. Selections of customary charges increased by over 10 percent under each of the simulations; selections of submitted charges decreased by 14 percent under the multilocality simulation, and about 12 percent under the statewide simulation. The customary charge was the one selected most frequently (over 50 percent of the time) under both simulations, indicating little relative impact from the change in calculating prevailing charges (since the customary charge calculations are the same under both simulations).

ECONOMIC INDEX

The analysis of the impact of the Economic Index on the findings suggests that:

1. Lack of the inflation ceiling means that both simulations will overestimate Medicare and Medicaid payouts and assigned beneficiary liability under the Medicare program.
2. Unassigned beneficiary liability will be underestimated, since the Medicare portion of payment is overestimated.
3. Statewide payouts and assigned liabilities will be overestimated more than multilocality payouts and assigned liabilities.
4. Statewide unassigned beneficiary liability will be underestimated more than multilocality unassigned liability.

A more detailed discussion of these findings follows.



ANALYSIS

A. Total Medicare Payouts

Tables I-A, I-B, I-C, and I-D present simulated and actual payouts for the four quarters of FSY 1980, beginning with the quarter July 1, 1978 through September 30, 1979. Summing total figures for each of the four quarters, it can be observed that the simulation overestimates the payouts under the Medicare program by 8.3 percent. Under the first year study, the simulation overestimated payouts by only 4.2 percent. This increase in the size of the difference between the statewide simulation and the actual payout figures probably reflects the influence of the inflation factor--controlled by the Economic Index--which has not been applied to the prevailing charges obtained under the simulation.

It will be recalled from the first year study that the Economic Index could not be applied due to the lack of a base period for determining the inflation, i.e., either comparable prevailing charges for FSY 1978 or claims data from 1971. An attempt will be made below to determine the possible impact of the inflation factor on total payouts and the meaning this would have to the analysis. (See Section C, the Economic Index.)

The four tables presenting total program payouts for Medicare represent about 50 percent of actual payouts for physicians' claims for FSY 1980. Summing the actual payout figures for all claims prior to selection of the claims by procedure code produces a figure of \$76,679,835; total actual payouts from our sample of claims for all four quarters are \$38,011,292. This is a somewhat lower proportion of total payouts than was obtained for the first year study, i.e., 53 percent of total payouts.

Except for the above differences, the payout figures for FSY 1980 indicate the same findings as did the FSY 1979 figures for the Medicare program, i.e., overall payouts are slightly reduced using the statewide methodology reflecting the reduction in payouts in Locality 1, the most urban of the five Arkansas localities. As in the first year study, the pattern is reversed for the Medical Specialties category in terms of overall payout figures; however, payouts for Locality 1 are still higher under the multilocality simulation than under the statewide simulation for the Medical Specialties category. The reduction in Locality 1 payouts under the statewide simulation is not enough to counterbalance the increase in payouts for this physician group under the statewide system for the remaining four localities.

The explanation for the pattern is the same for both years--the fact that charges for services in urban areas (such as Locality 1) can be expected to be somewhat higher than in rural areas (particularly Locality 5). Thus the prevailing charge under the multilocality system would be higher for Locality 1 than for the other localities. When the statewide simulation is used, the prevailing charges for Locality 1 are reduced and the heavy contribution of that Locality to all payouts (about 40 percent) makes the total payout amount lower. As was true for the FSY 1979 analysis, the difference in total payout between the two simulations is small--less than 1 percent. (A 0.7 percent decrease for FSY 1980 is shown when the statewide simulation is used, compared with a 0.8 percent decrease for FSY 1979.)

TABLE I-A

All Selected Medicare Claims
Payout in Dollars for Quarter 3 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * VENDORS	* TOTAL, ALL * VENDORS

AREA 1	MULTIPLE AREA	1,849,275	578,538	894,157	700,301	4,022,272
	STATEWIDE	1,801,573	490,200	862,585	695,828	3,850,187
AREA 2	MULTIPLE AREA	661,430	456,472	604,018	20,970	1,742,891
	STATEWIDE	695,726	435,029	611,468	20,640	1,762,864
AREA 3	MULTIPLE AREA	140,001	504,440	199,990	1,543	845,976
	STATEWIDE	143,769	513,934	205,743	1,544	864,992
AREA 4	MULTIPLE AREA	341,419	996,179	285,629	17,461	1,640,689
	STATEWIDE	359,846	990,978	292,306	17,419	1,660,551
AREA 5	MULTIPLE AREA	18,506	1,268,316	56,770	16,739	1,360,332
	STATEWIDE	18,756	1,283,507	59,299	17,588	1,379,151
OVERALL	MULTIPLE AREA	3,010,632	3,803,945	2,040,567	757,015	9,612,162
	STATEWIDE	3,019,669	3,713,651	2,031,403	753,021	9,517,745
ACTUAL	HISTORY TAPES	2,608,132	3,563,215	1,868,973	719,514	8,759,838

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TABLE I-B

All Selected Medicare Claims
Payout in Dollars for Quarter 4 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * VENDORS	* TOTAL, ALL * VENDORS

AREA 1	MULTIPLE AREA	2,002,592	587,561	885,384	718,938	4,194,476
	STATEWIDE	1,950,019	499,560	852,987	713,142	4,015,708
AREA 2	MULTIPLE AREA	729,599	470,237	613,738	27,886	1,841,463
	STATEWIDE	769,314	449,891	620,464	27,731	1,867,401
AREA 3	MULTIPLE AREA	177,089	489,456	195,792	2,783	865,122
	STATEWIDE	186,999	499,522	202,018	2,856	891,397
AREA 4	MULTIPLE AREA	330,091	1,028,672	308,410	32,713	1,699,886
	STATEWIDE	350,208	1,024,041	318,394	32,314	1,724,958
AREA 5	MULTIPLE AREA	32,847	1,276,276	66,033	28,314	1,403,472
	STATEWIDE	34,218	1,294,181	69,367	29,287	1,427,054
OVERALL	MULTIPLE AREA	3,272,219	3,852,204	2,069,359	810,635	10,004,420
	STATEWIDE	3,290,759	3,767,196	2,063,233	805,331	9,926,520
ACTUAL	HISTORY TAPES	2,867,298	3,599,534	1,891,354	789,257	9,147,448

TABLE I-C

All Selected Medicare Claims
Payout in Dollars for Quarter 1 of Year 1980

		***** * - P A Y M E N T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	2,168,479	598,925	866,421	751,474	4,385,299
	STATEWIDE	2,111,858	505,110	835,436	746,352	4,198,759
AREA 2	MULTIPLE AREA	742,082	488,898	663,885	27,691	1,922,558
	STATEWIDE	787,803	466,471	673,145	27,395	1,954,916
AREA 3	MULTIPLE AREA	183,127	500,852	225,272	2,829	912,082
	STATEWIDE	193,773	511,131	232,551	2,916	940,373
AREA 4	MULTIPLE AREA	370,261	1,228,391	335,107	34,228	1,967,989
	STATEWIDE	398,879	1,222,960	349,049	33,038	2,003,927
AREA 5	MULTIPLE AREA	42,553	1,536,147	61,508	25,513	1,665,723
	STATEWIDE	44,355	1,557,167	66,135	26,318	1,693,976
OVERALL	MULTIPLE AREA	3,506,502	4,353,215	2,152,194	841,738	10,853,654
	STATEWIDE	3,536,669	4,262,841	2,156,319	836,021	10,791,853
ACTUAL	HISTORY TAPES	3,064,451	4,080,622	1,972,699	822,352	9,940,127

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TABLE I-D

All Selected Medicare Claims
Payout in Dollars for Quarter 2 of Year 1980

		***** * - P A Y M E N T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	2,187,030	592,967	927,362	761,796	4,469,156
	STATEWIDE	2,125,220	498,940	884,717	754,731	4,263,609
AREA 2	MULTIPLE AREA	801,092	541,534	679,138	32,102	2,053,868
	STATEWIDE	861,255	513,533	690,473	31,764	2,097,027
AREA 3	MULTIPLE AREA	209,739	549,454	235,064	3,226	997,484
	STATEWIDE	227,233	560,296	242,041	3,394	1,032,965
AREA 4	MULTIPLE AREA	398,469	1,160,327	353,711	51,070	1,963,579
	STATEWIDE	432,716	1,154,684	370,198	46,405	2,004,004
AREA 5	MULTIPLE AREA	59,139	1,433,818	57,662	31,350	1,581,969
	STATEWIDE	61,741	1,455,926	62,917	32,625	1,613,210
OVERALL	MULTIPLE AREA	3,655,471	4,278,102	2,252,937	879,546	11,066,060
	STATEWIDE	3,708,166	4,183,380	2,250,346	868,921	11,010,817
ACTUAL	HISTORY TAPES	3,213,892	4,021,271	2,074,914	853,802	10,163,879

B. Total Medicaid Payouts

Tables II-A, II-B, II-C, and II-D present simulated and actual payouts for each quarter of FSY 1980 for the Medicaid program. Unlike the Medicare program payouts, the Medicaid payouts are significantly different in several ways for FSY 1979 and FSY 1980.

Like the Medicare payout figures, a difference in simulated payouts utilizing the statewide methodology and actual payouts is obtained which is greater than that observed for the comparable FSY 1979 figures: an 8.4 percent difference for FSY 1980 versus a 5.6 percent difference for FSY 1979. Again, this difference will be discussed below under Section C on the Economic Index.

A second difference can be observed in the proportion of total payouts represented by the procedures sampled for this study: for FSY 1979, about 51 percent, versus about 43 percent for FSY 1980 claims. (Total payouts for claims summed from raw data tapes are \$16,603,395, while actual payouts for claims selected for the study were \$7,087,820.) Although in actual dollar amounts the 1980 figures are substantially higher than the 1979 figures (\$7,087,820 versus \$5,888,790), the increase in program payouts indicated from the tapes (\$11,584,911 for 1979 versus \$16,603,395 for 1980) results in a decrease in the proportion of total payouts represented by the procedures selected for this study.

The observed reduction in proportion of payouts represented by our sample may reflect the change from CPT-3 to CPT-4 coding systems for procedures in July 1, 1979--the beginning of FSY 1980. Although this study utilizes the definitions ostensibly employed by Arkansas Medicaid in cross-referencing CPT and CRVS coding systems under both the CPT-3 and CPT-4 versions, our figures would suggest that these systems are not completely comparable. Thus a smaller proportion of claims for FSY 1980 are cross-referenced to the CRVS procedure codes utilized in this study than was true for FSY 1979.

Another indication that the population of claims is not entirely comparable for FSY 1979 and FSY 1980 is in the distribution of total payouts represented in each of the specialty categories. The comparative actual payout amounts are:

	1979 Percent Payouts	1980 Percent Payouts	Difference in Percent
Medical Specialties	20.79	23.59	+ 2.8
General Practice	57.49	53.26	- 4.2
Surgical Specialties	16.23	15.74	- 0.49
Other Physicians	5.47	7.39	+ 1.9

TABLE II-A

All Selected Medicaid Claims
Payout in Dollars for Quarter 3 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *
AREA 1	MULTIPLE AREA STATEWIDE	185,886 181,833	104,653 91,005	101,694 99,008	32,933 32,169	425,167 404,017
AREA 2	MULTIPLE AREA STATEWIDE	84,420 93,737	64,619 62,634	81,281 86,219	44,756 46,523	275,077 289,114
AREA 3	MULTIPLE AREA STATEWIDE	26,337 26,973	209,208 215,186	56,909 57,658	11,277 11,735	303,733 311,553
AREA 4	MULTIPLE AREA STATEWIDE	96,111 99,390	275,728 264,416	39,701 42,413	17,661 17,645	429,203 423,865
AREA 5	MULTIPLE AREA STATEWIDE	7,631 7,592	306,358 308,644	10,261 10,561	8,128 8,382	332,378 335,180
OVERALL	MULTIPLE AREA STATEWIDE	400,386 409,526	960,568 941,887	289,848 295,860	114,757 116,455	1,765,560 1,763,731
ACTUAL	HISTORY TAPES	347,095	873,542	268,009	99,264	1,587,911

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TABLE II-B

All Selected Medicaid Claims
Payout in Dollars for Quarter 4 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *
AREA 1	MULTIPLE AREA STATEWIDE	194,444 190,491	100,233 88,232	103,535 100,341	40,205 39,233	438,418 418,299
AREA 2	MULTIPLE AREA STATEWIDE	87,032 97,785	60,769 58,580	84,760 88,918	45,032 47,388	277,594 292,673
AREA 3	MULTIPLE AREA STATEWIDE	29,724 32,541	213,653 219,230	39,744 39,639	12,532 13,020	295,654 304,430
AREA 4	MULTIPLE AREA STATEWIDE	105,079 108,066	254,201 244,337	37,194 39,741	18,589 18,415	415,065 410,560
AREA 5	MULTIPLE AREA STATEWIDE	9,828 10,049	321,092 323,471	16,369 15,587	7,878 8,282	355,167 357,390
OVERALL	MULTIPLE AREA STATEWIDE	426,108 438,932	949,949 933,853	281,604 284,227	124,237 126,340	1,781,901 1,783,354
ACTUAL	HISTORY TAPES	380,410	877,210	260,262	112,756	1,630,640

TABLE II-C

All Selected Medicaid Claims
Payout in Dollars for Quarter 1 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * VENDORS	* TOTAL, ALL * VENDORS
AREA 1	MULTIPLE AREA STATEWIDE	222,037 217,474	120,434 104,579	114,858 112,074	51,243 48,966	508,573 483,095
AREA 2	MULTIPLE AREA STATEWIDE	122,653 141,126	68,529 67,399	80,670 84,533	56,474 58,211	328,328 351,271
AREA 3	MULTIPLE AREA STATEWIDE	36,721 41,267	217,945 226,480	42,317 42,816	14,493 14,847	311,477 325,412
AREA 4	MULTIPLE AREA STATEWIDE	111,534 117,169	303,090 289,597	46,678 50,591	22,037 21,903	483,341 479,262
AREA 5	MULTIPLE AREA STATEWIDE	12,925 13,641	388,856 392,370	10,914 11,981	8,226 8,791	420,921 426,783
OVERALL	MULTIPLE AREA STATEWIDE	505,872 530,679	1,098,856 1,080,427	295,439 301,997	152,474 152,720	2,052,642 2,065,825
ACTUAL	HISTORY TAPES	464,448	1,037,455	281,273	142,718	1,925,896

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TABLE II-D

All Selected Medicaid Claims
Payout in Dollars for Quarter 2 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * VENDORS	* TOTAL, ALL * VENDORS
AREA 1	MULTIPLE AREA STATEWIDE	224,102 220,386	116,745 99,986	120,794 117,160	47,812 45,203	509,455 482,737
AREA 2	MULTIPLE AREA STATEWIDE	112,630 131,423	62,342 61,754	85,453 89,135	74,287 78,214	334,713 360,527
AREA 3	MULTIPLE AREA STATEWIDE	46,842 53,429	209,566 217,863	48,636 49,533	14,922 15,391	319,968 336,217
AREA 4	MULTIPLE AREA STATEWIDE	113,363 117,505	290,343 275,617	49,269 52,600	29,638 27,713	482,614 473,436
AREA 5	MULTIPLE AREA STATEWIDE	17,146 15,996	370,617 374,645	12,963 14,737	10,383 11,229	411,109 416,608
OVERALL	MULTIPLE AREA STATEWIDE	514,084 538,741	1,049,615 1,029,866	317,116 323,167	177,044 177,752	2,057,861 2,069,527
ACTUAL	HISTORY TAPES	480,231	986,954	306,450	169,736	1,943,373

This indicates a shift from the General Practice category as a proportion of total claims represented. It is possible that a lower proportion of services were rendered by the General Practice group in the second year than in the first. It is more likely that a larger number of ambiguities arose for services rendered by the General Practice group when the CPT-3 coding system was changed to a CPT-4 system. However, these findings could indicate that physicians in the General Practice category are relatively more dissatisfied with the payouts received under the Medicaid program than are the other physicians; therefore, they are opting to participate less frequently in providing services under the program. Thus, the proportion of payouts to this physician group is reduced.

Suffice it to say at this point, the interpretation of the reduction in proportion of payouts is ambiguous. It may well be that the reduction reflects an increase in lowest charge level or other excluded services; and, therefore, the differences between FSY 1979 and FSY 1980 result from true differences in services provided. Given the change in the CPT coding system, however, such an interpretation would be simplistic. Without figures on frequencies and payouts for each service category for FSY 1980 and FSY 1979 to compare, cross-referenced by specialty group, it is difficult to make a definitive statement concerning the difference in proportion of payouts observed from one year to the next.

A third point of contrast between FSY 1979 and FSY 1980 is the direction of difference in total payouts utilizing the multilocality and statewide methodologies, which is a reverse of the FSY 1979 figures. For FSY 1980, the statewide simulation results in higher total payouts under the Medicaid program than the multilocality simulation. This finding is true for the last three quarters of FSY 1980, and is only reversed under the General Practice specialty category. As in FSY 1979, the Locality 1 payout figures show a higher payout under the multilocality than under the statewide simulation. Locality 4 shows this same pattern in FSY 1980 but the opposite pattern in FSY 1979.

It must be observed that the Medicaid payouts are more evenly distributed by locality than are the Medicare payouts. It will be recalled that 40 percent of Medicare payouts are to physicians in Locality 1. In contrast, Locality 1 accounts for under 25 percent of payouts, under either simulation, for both FSY 1979 and FSY 1980 under the Medicaid program. Looking at the distribution of payouts for FSY 1979 and FSY 1980 by locality, it can be observed that:

1. In FSY 1979, only Locality 4 showed higher payouts under the statewide than under the multilocality simulation.
2. In FSY 1980, higher payouts were shown for Locality 2, Locality 3, and Locality 5 under the statewide simulation. Interestingly, Locality 4 showed lower payouts in FSY 1980 under the statewide simulation.

As discussed above, some of the observed differences between FSY 1979 and FSY 1980 payouts may be attributable to the implementation of the new CPT-4 coding system.

It should be noted, however, that for the first quarter of FSY 1980 the multi-locality simulation was associated with higher total Medicaid payouts, the same pattern exhibited in all four quarters of FSY 1979. This supports the argument that a trend exists, manifested after the first quarter of FSY 1980, toward higher payouts under the statewide procedure than under the multi-locality method of determining reasonable charge. It may also indicate that the CPT-4 system was not fully implemented until the second quarter of the fee screen year, i.e., physicians had not been utilizing it for billing, and were still utilizing the old CPT-3 system. Thus the impact of the CPT-4 system on payouts had not surfaced completely until the second quarter of FSY 1980.

The change from a lower to higher payout overall under the statewide simulation appears to be attributable to a change in the Medical Specialties and Surgical Specialties categories--representing a higher proportion of total claims and also a change from higher payouts under the multilocality simulation for FSY 1979 to lower payouts under the multilocality simulation in FSY 1980. In FSY 1979, the Medical Specialties category showed a 5.19 percent decrease in payouts associated with the statewide simulation, while in FSY 1980 this category showed a 3.86 percent increase associated with the statewide simulation. For Surgical Specialties, FSY 1979 payouts under the statewide simulation were 10.74 percent lower than multilocality payouts; in FSY 1980 the statewide payouts for this group were 1.79 percent higher than under the multilocality simulation. At the same time, in FSY 1980 Medical Specialties increased to 23.59 percent in proportion of the total actual payout (from 20.79 percent in FSY 1979). The General Practice category, on the other hand, decreased its share from 57.49 percent in FSY 1979 to 53.26 percent in FSY 1980. The Surgical Specialties category also showed a slight decrease--less than 1 percent--from FSY 1979 to FSY 1980.

Another potential influence on payouts seems to have no influence as far as our study is concerned--the implementation of Medicaid prevailing charges in January 1980 (i.e., the implementation of prevailing charges based on 1978 Medicaid physician claims data). Examining all four quarters, no difference between the quarters, or between the last two quarters of each fee screen year other than those already discussed, seems to be evident.

The differences discussed above resulted in an overall increase in payouts under the statewide simulation for FSY 1980. Thus, since Medicaid payouts are not concentrated in any one locality as are Medicare payouts, the impact of reducing payouts in the more urban areas does not counterbalance the increase in fees in rural areas for FSY 1980 under our statewide simulation.

Again, the difference between the two simulations is very small, and may be even smaller than is indicated if the Economic Index is implemented in simulating payouts. This will be discussed further in Section C below.

C. *The Economic Index*

In order to gain a sense of the impact of the Economic Index on payouts (since adequate data were not available to actually calculate an inflation ceiling for the Arkansas claims data) an inflation rate was utilized with the FSY 1979 prevailing charges--the 1.075 annualized index. This figure was used to determine how many of our prevailing charges for FSY 1980 would have been lowered just on the basis of exceeding this one-year estimated inflation rate (7.5 percent). It is acknowledged that implementing such a limitation would not provide an adequate measure of the effect of the Economic Index since:

- It would not control for prevailing charges which were above the ceiling in 1979; therefore, multiplying by the annualized index for 1980 would derive too high a figure for the prevailing charge limitation.
- If a prevailing charge has not kept pace with inflation and increased between 1979 and 1980 at above the inflation rate, the adjustment may produce a "false positive," i.e., it would appear to be too high and yet still be within acceptable limits. Nonetheless, this exercise does provide us with some useful data.

Overall, 44 percent of the prevailing charges calculated for FSY 1980 exceeded inflation (as measured by the annualized index). Among the statewide prevailing charges, 60 percent were too high. This means that, in comparison with the multilocality simulation, the statewide simulation should probably produce a lower payout figure, which would increase the observed difference in overall Medicare payouts and decrease the difference in overall Medicaid payouts (or even reverse the direction for Medicaid). This conclusion, of course, is based on the assumption that all prevailing charges are, on the average, equivalent in their impact on payouts. It may be that the payouts associated with the 44 percent of multilocality prevailing charges which are too high do not represent a lower proportion of payouts than the 60 percent of statewide prevailing charges. Thus the apparent differential impact of the Economic Index on the two simulations would be nonexistent. Such questions could only be answered with additional research and are beyond the scope of this study.

D. Beneficiary Liability - Assigned Claims

Beneficiary liability with assigned claims consists of 20 percent of the reasonable charge, under our simulations, for those cases where a physician agrees to accept the reasonable charge as total payment. Tables III-A, III-B, III-C, and III-D present beneficiary liabilities by quarter for assigned cases. As we expected from the findings on the Economic Index limitation, beneficiary liabilities are higher for assigned cases under the Medicare program using the statewide simulation than for the actual payouts--a difference of 7.5 percent overall. The comparable figure for FSY 1979 was 3.4 percent, showing an increase in this underestimation of about 4 percent from FSY 1979 to FSY 1980.

In other respects, figures for assigned liabilities parallel those for total Medicare payouts. Overall, liabilities are lower under the statewide simulation than under the multilocality simulation. However, in the case of Medical Specialties and Surgical Specialties, this relationship is reversed. For Locality 1, the multilocality simulation shows a much higher liability for the statewide simulation--about 3.9 percent higher--and this difference is underestimated by our method, considering the impact of the Economic Index.

TABLE III-A

Beneficiary Liability - Assigned Claims
Payout in Dollars for Quarter 3 of Year 1979

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
LOCATION	PRICING METHOD					
AREA 1	MULTIPLE AREA	171,547	55,893	88,718	104,364	420,523
	STATEWIDE	167,726	47,432	85,226	103,915	404,301
AREA 2	MULTIPLE AREA	65,893	51,272	54,906	870	172,942
	STATEWIDE	68,368	48,792	55,551	872	173,584
AREA 3	MULTIPLE AREA	17,250	85,344	37,093	197	139,886
	STATEWIDE	17,789	87,032	38,395	197	143,415
AREA 4	MULTIPLE AREA	47,421	134,965	35,765	2,912	221,064
	STATEWIDE	49,367	133,956	37,136	2,918	223,378
AREA 5	MULTIPLE AREA	2,052	197,579	7,290	1,549	208,471
	STATEWIDE	2,142	200,154	7,680	1,652	211,631
OVERALL	MULTIPLE AREA	304,165	525,055	223,774	109,895	1,162,890
	STATEWIDE	305,395	517,369	223,990	109,556	1,156,311
ACTUAL	HISTORY TAPES	269,952	493,948	205,242	106,320	1,075,464

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TABLE III-B

Beneficiary Liability - Assigned Claims
Payout in Dollars for Quarter 4 of Year 1979

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
LOCATION	PRICING METHOD					
AREA 1	MULTIPLE AREA	183,171	55,066	91,002	99,841	429,081
	STATEWIDE	178,926	46,805	87,164	99,416	412,313
AREA 2	MULTIPLE AREA	72,058	52,195	52,667	1,748	178,669
	STATEWIDE	75,286	50,051	53,156	1,796	180,290
AREA 3	MULTIPLE AREA	23,199	79,862	35,531	300	138,983
	STATEWIDE	24,915	81,470	36,804	307	143,498
AREA 4	MULTIPLE AREA	44,546	134,621	38,336	6,224	223,728
	STATEWIDE	47,051	133,936	39,910	6,220	227,119
AREA 5	MULTIPLE AREA	3,816	198,172	10,376	3,565	215,930
	STATEWIDE	4,026	201,125	10,984	3,701	219,838
OVERALL	MULTIPLE AREA	326,781	519,917	227,913	111,680	1,186,293
	STATEWIDE	330,206	513,389	228,021	111,442	1,183,060
ACTUAL	HISTORY TAPES	293,647	489,238	208,092	109,285	1,100,263

TABLE III-C

Beneficiary Liability - Assigned Claims
Payout in Dollars for Quarter 1 of Year 1979

		***** * - P A Y M E N T G R O U P S - * *****				
		----------*-----*-----*				
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	215,357	61,953	87,129	111,037	475,477
	STATEWIDE	210,257	51,977	83,842	110,712	456,790
AREA 2	MULTIPLE AREA	76,877	57,953	63,482	1,181	199,494
	STATEWIDE	80,739	55,380	64,495	1,174	201,789
AREA 3	MULTIPLE AREA	24,966	84,229	40,834	225	150,256
	STATEWIDE	26,588	85,616	42,335	230	154,770
AREA 4	MULTIPLE AREA	51,871	169,914	40,115	6,073	267,974
	STATEWIDE	55,392	169,160	42,515	5,857	272,926
AREA 5	MULTIPLE AREA	5,017	249,052	9,537	3,384	266,992
	STATEWIDE	5,300	252,703	10,378	3,457	271,840
OVERALL	MULTIPLE AREA	374,090	623,102	241,099	121,902	1,360,195
	STATEWIDE	378,278	614,837	243,567	121,432	1,358,116
ACTUAL	HISTORY TAPES	333,963	587,058	221,690	119,749	1,262,462

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TABLE III-D

Beneficiary Liability - Assigned Claims
Payout in Dollars for Quarter 2 of Year 1979

		***** * - P A Y M E N T G R O U P S - * *****				
		----------*-----*-----*				
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	211,073	58,853	95,770	115,783	481,481
	STATEWIDE	205,657	49,023	91,472	115,147	461,301
AREA 2	MULTIPLE AREA	77,929	62,664	66,962	1,104	210,660
	STATEWIDE	83,607	59,839	70,331	1,101	214,880
AREA 3	MULTIPLE AREA	30,660	91,087	43,187	271	165,206
	STATEWIDE	33,590	92,579	44,689	284	171,143
AREA 4	MULTIPLE AREA	57,029	159,249	42,133	10,829	269,241
	STATEWIDE	61,352	158,602	45,110	9,761	274,826
AREA 5	MULTIPLE AREA	7,976	223,472	8,861	4,287	244,598
	STATEWIDE	8,146	227,274	9,868	4,445	249,734
OVERALL	MULTIPLE AREA	384,669	595,326	258,915	132,275	1,371,187
	STATEWIDE	392,354	587,319	261,472	130,739	1,371,886
ACTUAL	HISTORY TAPES	347,532	562,980	240,127	128,776	1,279,416

E. Beneficiary Liability - Unassigned Claims

As expected, given the lack of the Economic Index, our method underestimates unassigned beneficiary liability. As shown in Tables IV-A, IV-B, IV-C, and IV-D on quarterly figures for unassigned claims, this underestimation is about 15.1 percent. The difference between multilocality liability and statewide liability is about 2.5 percent, with beneficiary liability under the statewide simulation being higher. However, given the lack of the Economic Index, the figures should actually reflect a wider difference, with the unassigned beneficiary liability under the statewide simulation being even greater relative to the multilocality simulation.

It is of interest to observe the differential impact on unassigned beneficiary liabilities among the physician specialty groups and among localities. Thus the Medical Specialties category payout is underestimated by 26.2 percent and the Surgical Specialties category by 14.1 percent, while the General Practice category is only underestimated by 5.7 percent, and "Others" by 6.2 percent. This suggests a greater inflation in the charges by the first two groups than by the less specialized physicians.

Again, Locality 1 shows a much higher beneficiary liability than the State as a whole under the statewide simulation, with 11.63 percent increase under the statewide simulation compared with a 0.58 percent overall increase. More data concerning this observation is presented below under the discussion of "Assignment Rates."

TABLE IV-A

Beneficiary Liability - Unassigned Claims
Payout in Dollars for Quarter 3 of Year 1979

* - P A Y M E N T G R O U P S - *

----------*-----*-----*-----*

* MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL *
* SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS *

LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *
AREA 1	MULTIPLE AREA	434,814	158,222	208,632	117,292	918,961
	STATEWIDE	467,257	212,436	226,186	119,967	1,025,847
AREA 2	MULTIPLE AREA	172,913	112,248	168,322	6,426	459,910
	STATEWIDE	148,540	123,770	163,453	6,766	442,529
AREA 3	MULTIPLE AREA	24,237	77,311	23,524	268	125,342
	STATEWIDE	22,628	74,567	22,979	267	120,442
AREA 4	MULTIPLE AREA	63,887	223,543	62,196	1,558	351,185
	STATEWIDE	53,243	224,713	61,005	1,620	340,582
AREA 5	MULTIPLE AREA	3,829	228,672	12,027	4,248	248,777
	STATEWIDE	3,939	223,808	11,060	3,813	242,622
OVERALL	MULTIPLE AREA	699,681	799,998	474,704	129,793	2,104,177
	STATEWIDE	695,608	859,296	484,684	132,435	2,172,023
ACTUAL	HISTORY TAPES	963,402	911,453	570,275	152,997	2,598,128

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TABLE IV-B

Beneficiary Liability - Unassigned Claims
Payout in Dollars for Quarter 4 of Year 1979

* - P A Y M E N T G R O U P S - *

----------*-----*-----*-----*

* MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL *
* SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS *

LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *
AREA 1	MULTIPLE AREA	480,275	172,119	209,550	134,677	996,723
	STATEWIDE	515,893	226,765	226,649	138,771	1,108,079
AREA 2	MULTIPLE AREA	194,631	127,906	180,438	7,825	510,802
	STATEWIDE	167,927	139,678	175,694	8,175	491,475
AREA 3	MULTIPLE AREA	31,466	84,554	24,356	705	141,082
	STATEWIDE	28,464	80,918	23,222	662	133,267
AREA 4	MULTIPLE AREA	65,782	259,655	77,073	2,446	404,957
	STATEWIDE	55,684	261,558	73,388	2,830	393,461
AREA 5	MULTIPLE AREA	7,027	238,322	11,562	5,440	262,352
	STATEWIDE	6,497	232,269	10,662	5,010	254,440
OVERALL	MULTIPLE AREA	779,183	882,558	503,081	151,095	2,315,917
	STATEWIDE	774,467	941,191	509,616	155,450	2,380,724
ACTUAL	HISTORY TAPES	1,049,542	1,007,615	599,956	162,893	2,820,006

TABLE IV-C

Beneficiary Liability - Unassigned Claims
Payout in Dollars for Quarter 1 of Year 1980

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
LOCATION	PRICING METHOD					
AREA 1	MULTIPLE AREA	503,755	170,576	225,791	141,129	1,041,253
	STATEWIDE	540,069	224,239	243,586	144,949	1,152,844
AREA 2	MULTIPLE AREA	211,110	134,365	195,488	10,276	551,240
	STATEWIDE	180,929	146,500	190,326	10,546	528,303
AREA 3	MULTIPLE AREA	35,709	94,611	28,415	1,005	159,740
	STATEWIDE	31,553	89,878	27,138	936	149,506
AREA 4	MULTIPLE AREA	81,476	310,255	89,185	3,772	484,689
	STATEWIDE	66,942	312,667	84,842	4,097	468,550
AREA 5	MULTIPLE AREA	8,947	291,655	10,581	6,234	317,418
	STATEWIDE	8,277	285,271	9,318	5,721	308,589
OVERALL	MULTIPLE AREA	840,997	1,001,464	549,462	162,418	2,554,341
	STATEWIDE	827,771	1,058,557	555,212	166,252	2,607,792
ACTUAL	HISTORY TAPES	1,120,629	1,125,458	649,627	173,034	3,068,748

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TABLE IV-D

Beneficiary Liability - Unassigned Claims
Payout in Dollars for Quarter 2 of Year 1980

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
LOCATION	PRICING METHOD					
AREA 1	MULTIPLE AREA	553,969	193,170	259,277	149,239	1,155,656
	STATEWIDE	594,238	247,592	284,650	153,757	1,280,239
AREA 2	MULTIPLE AREA	257,545	171,519	212,603	14,167	655,836
	STATEWIDE	220,255	188,043	206,771	14,493	629,564
AREA 3	MULTIPLE AREA	42,960	116,728	29,476	1,374	190,539
	STATEWIDE	37,187	111,854	28,508	1,259	178,809
AREA 4	MULTIPLE AREA	95,093	323,044	104,885	3,149	526,172
	STATEWIDE	78,139	326,093	100,305	3,543	508,081
AREA 5	MULTIPLE AREA	11,810	333,680	12,046	8,114	365,652
	STATEWIDE	9,886	326,794	10,818	7,470	354,969
OVERALL	MULTIPLE AREA	961,379	1,138,143	618,289	176,045	2,893,857
	STATEWIDE	939,706	1,200,378	631,054	180,524	2,951,662
ACTUAL	HISTORY TAPES	1,252,422	1,261,193	719,498	187,561	3,420,674

F. Office Follow-up Visit

Tables V-A and V-B present a microcosm of the total analysis for two particular procedure codes: Office Follow-up Visit and Hospital Follow-up Visit, respectively. In Table V-A, Office Follow-up Visit, payouts under the Medicare program represent about 7.3 percent of total payouts (\$76,679,835) for the year. This compares with 7.5 percent represented by this category for FSY 1979.

The statewide payout estimated by our simulation is 12.1 percent higher than the actual payout figure for FSY 1980 in this category. Again, we assume this represents the lack of control for inflation on the prevailing charges.

Assigned beneficiary liability is overestimated by 9.5 percent and unassigned beneficiary liability is underestimated by 7.1 percent. Although the simulation shows that assigned beneficiary liability is lower and unassigned beneficiary liability is higher utilizing the statewide methodology, the differences are not large--1.4 percent lower in the case of the former and 3 percent higher in the case of the latter.

For the Medicaid program, payouts for Office Follow-up Visit represent 7.6 percent of all Medicaid payouts for physician services (\$16,603,395) for FSY 1980. For FSY 1979, this category represented 10 percent of all Medicaid payouts (\$11,583,911). This again may reflect the change in the CPT coding system rather than any change in service distribution.

Unlike the total Medicaid payout figures, the simulation shows that payouts for Office Follow-up Visit will be reduced under the statewide system. However, the difference is about 1 percent between the two simulations. Again, the simulation overestimates total payouts for this procedure by about 12.1 percent. Since the statewide figure is lower than the multilocality figure, and we have indicated that the statewide prevailing charges are more likely to exceed the inflation ceiling than are the multilocality charges, the difference between the two methods is probably underestimated in this case, and the direction is probably correct.

Examining the prevailing charges for FSY 1979 and FSY 1980, localitywide, we can observe that in three instances the prevailing charges have been increased: in Locality 1 by \$3, or 20 percent, well above the 7.5 percent inflation ceiling; in Locality 2 by \$2, or 16.7 percent, also above the inflation ceiling; and statewide by \$3, or 25 percent, again well above the inflation rate.

It should be observed that the weighted average reasonable charge is increased in all categories over the FSY 1979 figures. The rate of increase is greatest in Locality 4, slightly more than 10 percent.

TABLE V-A

Special Report: Office Follow-up Visit in Dollars
Fee Screen Year 1980

G. *Hospital Follow-up Visit*

Table V-B figures for Hospital Follow-up Visit show a somewhat different profile. In FSY 1980, this category of service represented about 11.15 percent of total payouts (\$76,679,835) under the Medicare program, compared to 12 percent of payouts for FSY 1979 (total payouts of \$62,809,927). For the Medicaid program, this category is 4.11 percent of total payouts (\$16,603,395) for FSY 1980, versus 3.92 percent for FSY 1979 (with total payouts of \$11,583,911), a negligible difference.

Similar to total payout figures, the statewide simulation overestimates payouts by 7 percent for the Medicare program. However, unlike the total figures for Medicare, the payouts for the multilocality simulation are lower than for the statewide simulation, a less than 1 percent difference. For Medicaid payouts, the total payout under the statewide simulation is 13 percent higher than for the actual payout figures.

As in the overall Medicare beneficiary liability figures, the assigned liability is simulated to be higher than the actual figure--in this case by about 5 percent. On the other hand, the unassigned liability is underestimated by 12 percent for this category of service.

Looking at our prevailing charges, it can be observed that three of the six increased from FSY 1979 to FSY 1980: In Locality 1 by \$2, or more than 15 percent; in Locality 2, by \$2, or 20 percent; and in the statewide prevailing charge by \$1, or 10 percent; all are above the 7.5 percent inflation adjustment.

In the weighted average reasonable charges, the greatest increases in statewide figures were in Locality 1, with a 13.66 percent increase; and in Locality 4, with an 11.78 percent increase. The lowest increase was in Locality 5, with a 6.6 percent increase. Therefore, there does not appear to be an equalization of fees for this category of service between the most rural and most urban localities. It should be noted, however, there may be relatively few services billed in this category from Locality 5, since hospitals are normally located in urban areas.

The multilocality and statewide simulations for the Medicaid program indicate a lower payout for the statewide methodology than for the multilocality methodology, a difference of about 2 percent. However, given the greater influence of the Economic Index anticipated for the statewide prevailing charges compared to the multilocality prevailing charges, we may anticipate that this difference is overstated, and that the difference may well be less than 2 percent, if the Economic Index is applied.

TABLE V-B

*Prevailing charges are locality-wide.

H. Assignment Rates

Tables VI-A, VI-B, VI-C, and VI-D present assignment rates by specialty, locality, and quarter for FSY 1980. Comparing with FSY 1979 figures, little difference can be observed. An overall reduction of less than 2 percent in the assignment rate (from 51.77 percent in FSY 1979 to 50.46 percent in FSY 1980, a difference of about 1.3 percent) is evidenced overall, with virtually no difference in two specialty categories--Medical Specialties and General Practice--and about 2 percent decrease in Surgical Specialties. It can be concluded, therefore, that no trend toward lower assignment rates is evident at this time.

Again, as in FSY 1979, assignment rates for Medical Specialties and Surgical Specialties are well below those for the other physician groups. This impacts unassigned beneficiary liabilities (discussed above) in that claims from these two groups are disproportionately represented in the unassigned figures. It is likely that the two groups are relatively more likely not to accept assignment because of higher inflation in their claims for services than is allowed by the Medicare program. Thus our simulation in the tables on unassigned liabilities, above, underestimated liabilities in the Medical and Surgical Specialties categories more markedly than for physicians as a whole.

Because the Economic Index would have probably reduced prevailing charges for these two categories relatively more than for other physicians, the reasonable charge calculated by our simulation is more frequently too high, meaning that the remaining liability estimated (i.e., the difference between the reasonable charge and the submitted charge) is too low relatively more often. Thus we observe the differential accuracy of our simulated payouts for the three Specialty categories in Section E, Beneficiary Liability Unassigned Claims.

TABLE VI-A

Assignment Frequencies for Quarter 3 of Year 1979

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * LOCATION PAYMENT STATUS * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
AREA 1	ASSIGNED	24877	12478	11275	34240	82870
	UNASSIGNED	41799	22878	22137	20797	107601
AREA 2	ASSIGNED	14870	14072	7223	183	36348
	UNASSIGNED	21149	18916	18265	1505	59834
AREA 3	ASSIGNED	4553	28611	5370	75	38609
	UNASSIGNED	4696	13031	3073	52	20852
AREA 4	ASSIGNED	11712	39211	5896	961	57780
	UNASSIGNED	9710	33760	6708	525	50703
AREA 5	ASSIGNED	461	65073	1897	565	67996
	UNASSIGNED	427	41767	1582	1014	44790
OVERALL	ASSIGNED	56473	159445	31661	36024	283603
	UNASSIGNED	77770	130352	51765	23893	283780

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TABLE VI-B

Assignment Frequencies for Quarter 4 of Year 1979

***** * - P A Y M E N T G R O U P S - * *-----*-----*-----*-----*-----* * MEDICAL * GENERAL * SURGICAL * OTHER * TOTAL, ALL * LOCATION PAYMENT STATUS * SPECIALTIES * PRACTICE * SPECIALTIES * VENDORS * VENDORS * *****						
AREA 1	ASSIGNED	26523	12663	11395	34036	84617
	UNASSIGNED	44315	24236	21887	23744	114182
AREA 2	ASSIGNED	15430	14795	7275	262	37762
	UNASSIGNED	23531	20905	18983	1703	65122
AREA 3	ASSIGNED	6131	26582	5449	70	38232
	UNASSIGNED	5717	13970	3012	128	22827
AREA 4	ASSIGNED	11782	38619	6999	2243	59643
	UNASSIGNED	10130	37168	7478	666	55442
AREA 5	ASSIGNED	936	66895	2670	1178	71679
	UNASSIGNED	763	43623	1554	1322	47262
OVERALL	ASSIGNED	60802	159554	33788	37789	291933
	UNASSIGNED	84456	139902	52914	27563	304835

TABLE VI-C

Assignment Frequencies for Quarter 1 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PAYMENT STATUS	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	ASSIGNED	29151	13286	11183	38085	91705
	UNASSIGNED	43577	22731	21233	23434	110975
AREA 2	ASSIGNED	15915	14688	8304	219	39126
	UNASSIGNED	22383	19970	17968	1907	62228
AREA 3	ASSIGNED	6364	26660	5501	82	38607
	UNASSIGNED	5509	12928	3246	177	21860
AREA 4	ASSIGNED	13434	47887	7221	2039	70581
	UNASSIGNED	10513	39908	7902	782	59105
AREA 5	ASSIGNED	1239	79720	2158	1181	84298
	UNASSIGNED	836	46376	1690	1063	49965
OVERALL	ASSIGNED	66103	182241	34367	41606	324317
	UNASSIGNED	92818	141913	52039	27363	304133

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TABLE VI-D

Assignment Frequencies for Quarter 2 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PAYMENT STATUS	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	ASSIGNED	28769	13075	11886	38575	92305
	UNASSIGNED	44570	23780	22228	22200	112778
AREA 2	ASSIGNED	17147	16526	8831	228	42732
	UNASSIGNED	24032	21994	19136	2307	67469
AREA 3	ASSIGNED	7695	30068	6065	70	43898
	UNASSIGNED	5412	13638	3027	179	22256
AREA 4	ASSIGNED	14690	42838	7720	3229	68477
	UNASSIGNED	10619	37134	7751	619	56122
AREA 5	ASSIGNED	1768	71152	2084	1499	76503
	UNASSIGNED	916	46134	1551	1314	49915
OVERALL	ASSIGNED	70069	173659	36586	43601	323915
	UNASSIGNED	85548	142680	53693	26619	309540

I. Type of Charge Selected as Reasonable Charge

Tables VII-A, VII-B, and VII-C present tables of proportions of submitted, prevailing, and customary charges selected for the Medicare, Medicaid, and Crossover databases, respectively, under each method of pricing for FSY 1980 claims. It should be noted that each candidate charge is selected only if it is lower than the succeeding charge, and the order of comparison is: first, submitted charge; second, customary charge; and third, prevailing charge. Thus, only if the prevailing charge makes a difference in terms of payout will it be selected; however, if the customary charge is lower than the submitted charge and equal to the prevailing charge, this chart will show it as the type of charge selected as reasonable charge. There is a bias, therefore: first, in favor of the submitted charge; and second, in favor of the customary charge as far as these tables are concerned. However, given the focus of this study--to measure the impact of a change in calculating the prevailing charge--it seems only reasonable that the bias should act in the above-described direction rather than in the reverse direction, which would overstate the impact of the prevailing charge.

In examining these tables, the potential impact of the Economic Index should be kept in mind. It would undoubtedly increase the selections of prevailing charges. Table VII-A for Medicare claims shows that a higher proportion of prevailing charges were selected for FSY 1980 than were selected for FSY 1979--a proportion slightly higher than for customary charges in FSY 1980, and about 10 percent higher than in FSY 1979 under either simulation. A slight reduction in the proportion of submitted charges selected can also be observed; and a somewhat larger reduction appears in the proportion of customary charges (about 3 percent in the case of the former and about 7 percent in the case of the latter).

Table VII-B, for Medicaid claims, shows that overall selections of prevailing charges were increased only slightly from FSY 1979 to FSY 1980, but were increased more under the multilocality methodology. Selections of customary charges increased by over 10 percent under each of the simulations; selection of submitted charges decreased by 14 percent under the multilocality simulation and about 12 percent under the statewide simulation. The customary charge was the one selected most frequently by far (over 50 percent of the time) under both simulations, indicating little impact from the change in the basis for calculating prevailing charges, since the customary charge would have been calculated the same under either system.

Table VII-C on Crossover claims merely indicates some of the difficulties existing in the Crossover database, i.e., the relatively small proportion of submitted charges indicates the problems in the records supplied by Arkansas for these claims, discussed earlier in the first year report.

TABLE VII-A

Charge Selected As Method of Payments - Medicare
Fee Screen Year 1980

* SUBMITTED CHARGE * CUSTOMARY * PREVAILING * TOTAL CLAIMS *									

* LOCATION PRICING METHOD * NUMBER PERCENT * NUMBER PERCENT * NUMBER PERCENT *									

AREA 1	MULTIPLE AREA	322371	40.4	253785	31.6	220877	27.7	797033	100.0
	STATEWIDE	253306	31.8	230838	29.0	312889	39.3	797033	100.0

AREA 2	MULTIPLE AREA	181228	44.1	118183	28.8	111210	27.1	410621	100.0
	STATEWIDE	199354	48.5	116615	28.4	94652	23.1	410621	100.0

AREA 3	MULTIPLE AREA	98934	40.0	54679	22.1	93528	37.8	247141	100.0
	STATEWIDE	114193	46.2	56069	22.7	76879	31.1	247141	100.0

AREA 4	MULTIPLE AREA	201179	42.1	129871	27.2	146803	30.7	477853	100.0
	STATEWIDE	211733	44.3	133132	27.9	132988	27.8	477853	100.0

AREA 5	MULTIPLE AREA	193060	39.2	152444	31.0	146904	29.8	492408	100.0
	STATEWIDE	221875	45.1	158197	32.1	112336	22.8	492408	100.0

OVERALL	MULTIPLE AREA	996772	41.1	708962	29.2	719322	29.7	2425056	100.0
	STATEWIDE	1000461	41.3	694851	28.7	729744	30.1	2425056	100.0

TABLE VII-B

Charge Selected as Method of Payments - Medicaid
Fee Screen Year 1980

* SUBMITTED CHARGE *		* CUSTOMARY *		* PREVAILING *		* TOTAL CLAIMS *			
LOCATION	PRICING METHOD	* NUMBER	PERCENT	* NUMBER	PERCENT	* NUMBER	PERCENT	* NUMBER	PERCENT

AREA 1	MULTIPLE AREA	32898	38.8	35021	41.3	16972	20.0	84891	100.0
	STATEWIDE	27487	32.4	31792	37.5	25612	30.2	84891	100.0
AREA 2	MULTIPLE AREA	20427	28.6	35019	49.1	15869	22.3	71315	100.0
	STATEWIDE	24463	34.3	35860	50.3	10992	15.4	71315	100.0
AREA 3	MULTIPLE AREA	29448	30.6	52325	54.3	14506	15.1	96279	100.0
	STATEWIDE	32701	34.0	54352	56.5	9226	9.6	96279	100.0
AREA 4	MULTIPLE AREA	34154	30.3	56876	50.5	21557	19.1	112587	100.0
	STATEWIDE	37161	33.0	57534	51.1	17892	15.9	112587	100.0
AREA 5	MULTIPLE AREA	36319	27.0	78728	58.6	19232	14.3	134279	100.0
	STATEWIDE	40088	29.9	80433	59.9	13758	10.2	134279	100.0
OVERALL	MULTIPLE AREA	153246	30.7	257969	51.7	88136	17.7	499351	100.0
	STATEWIDE	161900	32.4	259971	52.1	77480	15.5	499351	100.0

TABLE VII-C

Charge Selected as Method of Payments - Crossovers
Fee Screen Year 1980

* SUBMITTED CHARGE * CUSTOMARY * PREVAILING * TOTAL CLAIMS *									

LOCATION PRICING METHOD * NUMBER PERCENT * NUMBER PERCENT * NUMBER PERCENT *									

AREA 1	MULTIPLE AREA	7414	11.6	31978	50.1	24383	38.2	63775	100.0
	STATEWIDE	5292	8.3	27257	42.7	31236	49.0	63775	100.0

AREA 2	MULTIPLE AREA	2448	6.5	24477	64.9	10811	28.6	37736	100.0
	STATEWIDE	2635	7.0	25195	66.8	9906	26.3	37736	100.0

AREA 3	MULTIPLE AREA	3952	5.5	39587	55.9	27291	38.5	70830	100.0
	STATEWIDE	4804	6.8	39671	56.0	26355	37.2	70830	100.0

AREA 4	MULTIPLE AREA	9838	8.9	59745	54.2	40633	36.9	110216	100.0
	STATEWIDE	9847	8.9	62666	56.9	37703	34.2	110216	100.0

AREA 5	MULTIPLE AREA	12607	7.8	101037	62.9	47080	29.3	160724	100.0
	STATEWIDE	13558	8.4	105179	65.4	41987	26.1	160724	100.0

OVERALL	MULTIPLE AREA	36259	8.2	256824	57.9	150198	33.9	443281	100.0
	STATEWIDE	36126	8.1	259968	58.6	147187	33.2	443281	100.0

J. Medicare Crossover Claims

Tables VIII-A, VIII-B, VIII-C, and VIII-D present quarterly figures for Crossover claims payouts for Medicare. Crossover claims, it will be recalled, are those which are eligible for payment under both the Medicare and the Medicaid programs. As a result, Medicare pays the first 80 percent of the reasonable charge and Medicaid the remaining 20 percent. All such claims are assigned.

It can be observed from these tables that the statewide simulation results in a lower total payout than the multilocality simulation, the same result as for FSY 1979. Compared to the FSY 1979 figures, the statewide total for FSY 1980 is much lower than the actual payout figure (about 19.5 percent). This difference in FSY 1979 was 24 percent. Given the lack of the Economic Index, and adding the percentage difference between FSY 1979 and FSY 1980 total Medicare actual payouts and simulated statewide payouts (about 4 percent), the problem with underestimation of Crossover payouts is approximately the same for FSY 1979 and FSY 1980. This apparent underestimation, however, appears to be a result of data entry problems in the Crossover database, which result in an overstatement of Crossover payouts.

As a proportion of actual payouts prior to selection of procedure codes, our sample represents about 50.1 percent of total payouts (\$17,652,124) for claims included in our Crossover database. (The total payout figure was obtained by summing actual payouts from the raw data records and multiplying by four, since the raw data records are for Medicaid payouts on Crossover claims--the 20 percent of total payout portion of the claim. Multiplying by four obtains the Medicare 80 percent portion.)

TABLE VIII-A

Medicare Share of Crossover Claims
Payout in Dollars for Quarter 3 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	107,717	94,465	85,253	130,842	418,278
	STATEWIDE	103,695	73,763	76,758	114,191	375,409
AREA 2	MULTIPLE AREA	50,472	50,192	41,452	17,943	160,059
	STATEWIDE	53,410	48,256	42,524	18,740	162,930
AREA 3	MULTIPLE AREA	17,099	134,226	54,518	70,334	276,179
	STATEWIDE	14,825	136,961	44,497	79,518	275,802
AREA 4	MULTIPLE AREA	49,131	196,869	60,939	100,697	407,637
	STATEWIDE	52,592	194,325	36,068	110,500	393,487
AREA 5	MULTIPLE AREA	9,682	336,490	23,370	70,223	439,766
	STATEWIDE	5,672	340,714	19,510	80,523	446,421
OVERALL	MULTIPLE AREA	234,102	812,244	265,534	390,041	1,701,922
	STATEWIDE	230,195	799,022	221,359	403,473	1,654,050

ACTUAL	HISTORY TAPES	214,908	1,099,808	197,700	376,020	1,888,444

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TABLE VIII-B

Medicare Share of Crossover Claims
Payout in Dollars for Quarter 4 of Year 1979

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	112,556	104,110	91,250	151,371	459,289
	STATEWIDE	109,732	96,181	83,806	132,832	411,553
AREA 2	MULTIPLE AREA	61,135	47,912	40,814	15,135	165,047
	STATEWIDE	54,709	46,204	42,588	15,978	169,479
AREA 3	MULTIPLE AREA	16,459	113,584	44,478	73,782	248,304
	STATEWIDE	15,340	115,001	43,948	84,329	258,620
AREA 4	MULTIPLE AREA	43,697	208,349	47,629	92,805	392,474
	STATEWIDE	47,272	204,920	50,023	103,551	405,768
AREA 5	MULTIPLE AREA	12,724	347,767	23,153	76,923	460,569
	STATEWIDE	7,937	353,290	21,480	85,599	468,358
OVERALL	MULTIPLE AREA	246,614	821,725	247,327	410,018	1,725,686
	STATEWIDE	244,041	805,598	241,848	422,291	1,713,780

ACTUAL	HISTORY TAPES	201,072	896,176	200,692	337,168	1,635,116

TABLE VIII-C

Medicare Share of Crossover Claims
Payout in Dollars for Quarter 1 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	123,454	100,001	77,594	131,271	432,321
	STATEWIDE	119,556	83,008	71,483	115,692	389,741
AREA 2	MULTIPLE AREA	61,822	52,181	47,406	23,628	185,039
	STATEWIDE	66,777	50,229	48,814	25,367	191,188
AREA 3	MULTIPLE AREA	21,883	140,703	48,486	58,786	269,860
	STATEWIDE	19,149	143,392	49,524	68,550	280,615
AREA 4	MULTIPLE AREA	51,531	252,632	42,878	113,089	460,182
	STATEWIDE	55,736	248,443	46,013	123,229	473,422
AREA 5	MULTIPLE AREA	15,411	421,809	19,360	89,726	546,308
	STATEWIDE	9,663	427,594	19,746	103,188	559,197
OVERALL	MULTIPLE AREA	274,153	957,329	235,727	416,502	1,893,712
	STATEWIDE	269,887	952,668	235,582	436,028	1,894,166

ACTUAL	HISTORY TAPES	328,364	1,733,672	258,192	534,456	2,854,892

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TABLE VIII-D

Medicare Share of Crossover Claims
Payout in Dollars for Quarter 2 of Year 1980

***** * - P A Y M E N T G R O U P S - * *****						
LOCATION	PRICING METHOD	* MEDICAL * * SPECIALTIES *	* GENERAL * * PRACTICE *	* SURGICAL * * SPECIALTIES *	* OTHER * * VENDORS *	* TOTAL, ALL * * VENDORS *

AREA 1	MULTIPLE AREA	130,832	86,712	94,719	129,388	441,652
	STATEWIDE	127,558	71,886	86,629	113,153	399,227
AREA 2	MULTIPLE AREA	65,403	56,150	49,679	20,644	191,886
	STATEWIDE	72,434	54,094	51,553	21,352	199,434
AREA 3	MULTIPLE AREA	17,595	135,085	45,966	81,086	279,733
	STATEWIDE	17,700	137,600	45,667	92,676	293,645
AREA 4	MULTIPLE AREA	61,859	229,712	58,570	106,571	456,714
	STATEWIDE	66,241	224,816	54,698	115,593	461,350
AREA 5	MULTIPLE AREA	24,624	375,744	15,325	84,999	500,694
	STATEWIDE	12,011	381,770	17,011	94,254	505,048
OVERALL	MULTIPLE AREA	300,314	883,415	264,260	422,689	1,870,681
	STATEWIDE	295,946	870,169	255,560	437,030	1,858,707

ACTUAL	HISTORY TAPES	296,620	1,445,732	250,520	473,580	2,466,456

K. Medicaid Crossover Claims

Tables IX-A, IX-B, IX-C, and IX-D present the Medicaid Crossover claims payouts by quarter, specialty category, and locality. The findings in terms of the simulations and the discrepancy between estimated payouts and actual payouts are the same as for the Medicare figures. Because Medicaid records the Crossover claims in CRVS codes, no selection of CPT procedure codes could be performed on these records; thus the data are identical in terms of the claims selected for inclusion in this analysis. Ideally, only high frequency Medicaid procedures, identified under the CPT coding system, would have been selected.

TABLE IX-A

Medicaid Share of Crossover Claims
Payout in Dollars for Quarter 3 of Year 1979

		***** * - P A Y M E N T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * PHYSICIANS	* TOTAL, ALL * PHYSICIANS *
AREA 1	MULTIPLE AREA STATEWIDE	26,929 25,924	23,616 19,191	21,313 19,690	32,711 28,548	104,570 93,852
AREA 2	MULTIPLE AREA STATEWIDE	12,618 13,353	12,548 12,064	10,363 10,631	4,486 4,685	40,015 40,733
AREA 3	MULTIPLE AREA STATEWIDE	4,275 3,706	33,557 34,240	13,630 11,124	17,584 19,880	69,045 68,951
AREA 4	MULTIPLE AREA STATEWIDE	12,283 13,148	49,217 48,581	15,235 9,017	25,174 27,625	101,909 92,372
AREA 5	MULTIPLE AREA STATEWIDE	2,421 1,418	84,123 85,179	5,843 4,878	17,556 20,131	109,942 111,605
OVERALL	MULTIPLE AREA STATEWIDE	58,526 57,549	203,061 199,756	66,384 55,340	97,510 100,868	425,481 413,513
ACTUAL HISTORY TAPES		53,727	274,952	49,425	94,005	472,111

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TABLE IX-B

Medicaid Share of Crossover Claims
Payout in Dollars for Quarter 4 of Year 1979

		***** * - P A Y O U T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * PHYSICIANS	* TOTAL, ALL * PHYSICIANS *
AREA 1	MULTIPLE AREA STATEWIDE	28,139 27,183	26,028 21,545	22,813 20,952	37,843 33,208	114,822 102,888
AREA 2	MULTIPLE AREA STATEWIDE	15,296 16,177	11,978 11,551	10,204 10,647	3,784 3,995	41,262 42,370
AREA 3	MULTIPLE AREA STATEWIDE	4,115 3,835	28,396 28,750	11,120 10,987	18,446 21,082	62,076 64,655
AREA 4	MULTIPLE AREA STATEWIDE	10,922 11,818	52,087 51,230	11,907 12,506	23,201 25,888	98,119 101,442
AREA 5	MULTIPLE AREA STATEWIDE	3,181 1,997	86,942 88,323	5,788 5,370	19,231 21,400	115,142 117,090
OVERALL	MULTIPLE AREA STATEWIDE	61,654 61,010	205,431 201,400	61,832 60,462	102,505 105,573	431,422 428,445
ACTUAL HISTORY TAPES		50,268	224,044	50,173	84,292	408,779

TABLE IX-C

Medicaid Share of Crossover Claims
Payout in Dollars for Quarter 1 of Year 1980

		***** * - P A Y O U T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * PHYSICIANS	* TOTAL, ALL * PHYSICIANS
AREA 1	MULTIPLE AREA STATEWIDE	30,864 29,889	25,000 20,752	19,399 17,871	32,818 28,923	108,080 97,435
AREA 2	MULTIPLE AREA STATEWIDE	15,456 16,694	13,045 12,557	11,852 12,204	5,907 6,342	46,260 47,797
AREA 3	MULTIPLE AREA STATEWIDE	5,471 4,787	35,176 35,848	12,122 12,381	14,697 17,138	67,465 70,154
AREA 4	MULTIPLE AREA STATEWIDE	12,895 13,934	63,158 62,111	10,720 11,503	28,272 30,807	115,046 118,356
AREA 5	MULTIPLE AREA STATEWIDE	3,853 2,167	105,452 106,899	4,840 4,937	22,432 25,787	136,577 139,799
OVERALL	MULTIPLE AREA STATEWIDE	68,538 67,472	241,832 238,167	58,932 58,896	104,126 109,007	473,428 473,542
ACTUAL HISTORY TAPES		82,091	433,468	64,548	133,614	713,623

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TABLE IX-D

Medicaid Share of Crossover Claims
Payout in Dollars for Quarter 2 of Year 1980

		***** * - P A Y O U T G R O U P S - * *****				
LOCATION	PRICING METHOD	* MEDICAL * SPECIALTIES	* GENERAL * PRACTICE	* SURGICAL * SPECIALTIES	* OTHER * PHYSICIANS	* TOTAL, ALL * PHYSICIANS
AREA 1	MULTIPLE AREA STATEWIDE	32,708 31,870	21,678 17,972	23,680 21,657	32,347 28,286	110,406 99,807
AREA 2	MULTIPLE AREA STATEWIDE	16,351 18,109	14,040 13,524	12,420 12,888	5,161 5,338	47,972 49,859
AREA 3	MULTIPLE AREA STATEWIDE	4,399 4,425	33,771 34,400	11,492 11,417	20,272 23,169	69,933 73,411
AREA 4	MULTIPLE AREA STATEWIDE	15,465 16,560	57,428 56,204	14,643 13,675	26,643 28,896	114,179 115,338
AREA 5	MULTIPLE AREA STATEWIDE	6,156 3,003	93,936 95,443	3,831 4,253	21,250 23,564	125,174 126,262
OVERALL	MULTIPLE AREA STATEWIDE	75,079 73,987	220,854 217,542	66,065 63,890	105,672 109,258	467,670 464,677
ACTUAL HISTORY TAPES		74,155	361,433	62,630	118,395	616,614

SUMMARY

The general findings presented above indicate:

1 For the Medicare program, Year Two data generally support the same observations as for Year One, i.e., under the statewide system for prevailing charge calculation payouts will be slightly reduced and beneficiary liabilities for assigned claims will reflect this reduction (Tables I-A, -B, -C, -D and Tables III-A, -B, -C, -D). However, beneficiary liabilities for unassigned cases will be increased (Tables IV-A, -B, -C, -D).

2 For the Medicaid program, the simulation indicates that payouts will be slightly increased under the statewide simulation (Tables II-A, -B, -C, -D).

3 Examining prevailing charges for FSY 1979 and FSY 1980, we find that about 44 percent of all prevailing charges increased at a rate higher than inflation (as measured by the 1980 annualized index of 7.5 percent) and that 60 percent of statewide prevailings increased at a rate higher than inflation. As a result, we can expect that, all else being equal, the statewide payout figures and assigned beneficiary liabilities will be overestimated in comparison with the multilocality simulation, and both will be overestimated in comparison with the actual payout figures. Unassigned beneficiary liabilities will be understated under both simulations and relatively more under the statewide simulation, since reasonable charges will be too high overall. Thus the patient will have to absorb a larger proportion of the submitted charge than our simulations for unassigned cases indicate.

4 Insofar as assignment rates are concerned, there is little evidence of a trend toward lower assignment rates to compensate for lowered prevailing charges. Differences between FSY 1979 and FSY 1980 were small or nonexistent (Tables VI-A, -B, -C, -D).

5 A large increase was evidenced in proportion of prevailing charges selected as reasonable charge from FSY 1979 to FSY 1980 for Medicare claims--a difference of about 10 percent (Table VII-A). For Medicaid, only a slight increase in selections of prevailing charges was evidenced, with an increase of more than 10 percent in selections of customary charges (Table VII-B). Thus there is a differential impact for each of the two programs from the change in methodology for calculating reasonable charge. The larger impact is on the Medicare program.

The two special procedure codes, Office Follow-up Visit and Hospital Follow-up Visit, reflect the overall patterns (Tables V-A and V-B):

Three prevailing charges increased from FSY 1979 to FSY 1980 in the two most urban localities and for the statewide prevailing charge, all above the 7.5 annualized inflation rate.

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Medicare payouts for Office Follow-up Visit were higher under multilocality simulation than under the statewide simulation. This pattern was reversed for the Hospital Follow-up Visit. This difference undoubtedly reflects the type of physician submitting bills under each of the respective codes. The Hospital Follow-up Visit undoubtedly contains a larger proportion of the Medical and Surgical claims; while the Office Follow-up Visit will be dominated by payouts to the General Practice category of physicians.

The difference in proportions of total Medicaid payout included in the Office Follow-up Visit category for FSY 1979 and FSY 1980, a reduction of about 2.4 percent, reflects the lower proportion of claims from the General Practice physician category under the Medicaid program.

An increase in prevailing charges was observed for the two most urban localities and for the statewide prevailing charges in both procedure categories, reflecting the higher inflation in charges in the urban localities.

APPENDIX

Glossary

Actual payout. Total amount reported, for claims included in a particular designated category, under the "allowed amount" field for each program (i.e., Medicare and Medicaid). This figure is not corrected for deductibles.

Assignment. Under Medicare, assignment means that the physician agrees to accept as total payment for a service the reasonable charge calculated by Medicare. If the claim is "unassigned," the physician does not agree to accept the "reasonable charge" as his total payment. If a claim is "unassigned," Medicare pays 80 percent of the calculated reasonable charge (less deductible), and the patient is liable for the balance of the submitted charge.

Beneficiary liability. For Medicare assigned claims, the patient is responsible for 20 percent of the reasonable charge (if the deductible has been satisfied). For unassigned claims, the beneficiary (patient) is responsible for 20 percent of the reasonable charge plus any amount above the reasonable charge billed by the provider/physician.

Carrier. "A commercial insurance firm or Blue Shield administering Part B of Medicare. It is distinguished from commercial insurance plans or Blue Cross plans administering Part A which are referred to as intermediaries." (Determination of Reasonable Charges under Part B of Medicare: A Training Workbook, HCFA, Baltimore, Maryland, p.45.)

Crossover claims. Where a patient is eligible under both Medicare and Medicaid programs, Medicare determines the reasonable charge and pays 80 percent of the payment; then, in Arkansas, Medicaid remits the remaining 20 percent (of the Medicare calculated reasonable charge) to the physician.

Customary charge. "The amount computed by the carrier based on actual charge data for a specific service performed by one physician (or other supplier) to the physician's patients in general." (Determination of Reasonable Charges under Part B of Medicare: A Training Workbook, HCFA, Baltimore, Maryland, p.46.)

Economic Index. This limitation is calculated from a formula which reflects increases in cost of providing medical services, including increases in costs of physicians' office practice and general earnings levels in the population as a whole.

Fee screens. The total matrix of charge limitations calculated by the carrier. They are compared with the charges submitted during the "fee screen year" in order to determine reasonable charge for a claim.

Fee Screen Year. A one-year period from July 1 through June 30 of the succeeding year. Claims received during this period are "priced" utilizing claims for services rendered in the preceding calendar year. Hence, claims received during "fee screen year" 1979 (July 1, 1978 through June 30, 1979) are "priced" using fee screens developed on calendar year 1977 claims for services.

Follow-up visits (office, hospital). Two CRVS categories of service: 19023 and 19004, respectively (see Procedures).

Locality. A locality is usually a political or economic subdivision of a State which is delineated by a carrier for the purpose of deriving prevailing charges for services. It should include a cross-section of the population on economic and other characteristics.

Multilocality clinics. Customary charges are developed for clinic service by a physician, and if there is a private practice for the same physician, a second customary charge is calculated. Customary charges are calculated separately for each Multispecialty Clinic from which the physician submits claims to Medicare.

Prevailing charge. "The lowest charge of the array of customary charges which is high enough to include 75 percent of all the customary charges." (Determination of Reasonable Charges under Part B of Medicare: A Training Workbook, HCFA, Baltimore, Maryland, p. 47.) The customary charges are weighted by one number of services represented in calculating the 75th percentile.

Pricing. Determining the payout for claims, i.e., determining reasonable charge for a claim and amount to be paid by either Medicare or Medicaid (e.g., for Medicaid, usually 100 percent of the reasonable charge and for Medicare, 80 percent).

Procedure. A "medical service" which will be designated for the purposes of this study by either of two coding methods for medical services--the California Relative Value Scale (CRVS) of 1964 utilized on Medicare claims and the Physicians' Current Procedural Terminology (CPT) Editions 3 and 4 utilized by the Arkansas Medicaid program for submitted claims.

Specialty. A group of physicians working primarily in a certain area of medicine.

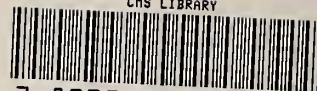
Specialty groups. Broad categories of specialists, grouped together as "peers" for the purpose of developing "prevailing" charges for a particular locality.

Submitted charge. The actual amount billed by a physician or service/equipment provider which may include one or more services.

Unispecialty clinics. Under Medicare, these clinics are treated as if they were a physician, so that a customary charge is developed on all charges for services submitted from the clinic, regardless of the physician performing the service.

Weighted average reasonable charge. Total payout for a particular category divided by the number of services reimbursed by the total payout, i.e., total payout/# services.

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